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COUNTY OF ALPINE

Management Report
For the Year Ended June 30, 2009

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COUNTY OF ALPINE

Management Report
For the Year Ended June 30, 2009

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GALLINA LLP
CERTIFIED PUBLIC ACCOUNTANTS

To the Honorable Members of the
Board of Supervisors of the County of Alpine
Markleeville, California

In planning and performing our audit of the financial statements of the County of Alpine as of and for the year ended June 30, 2009, we considered the County of Alpine's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Alpine's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Alpine's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies, as defined above.

However, in prior year audits we became aware of opportunities to strengthen internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions and the status of our comments and suggestions concerning certain recommendations made in the County's prior year audits. We previously reported on the County's internal control in our report dated February 12, 2010. This letter does not affect our report dated February 12, 2010, on the financial statements of the County of Alpine.

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To the Honorable Members of the
Board of Supervisors of the County of Alpine
Markleeville, California

This report is intended for the use of management, the Board of Supervisors, the Grand Jury and officials of the federal and state grantor agencies and should not be used by anyone other than these specified parties.

We thank the County's staff for its cooperation during our audit.

Gallina LLP

Roseville, California
February 12, 2010

COUNTY OF ALPINE

Management Report
Required Communication
For the Year Ended June 30, 2009

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Alpine (County) for the year ended June 30, 2009, and have issued our report thereon dated February 12, 2010. Professional standards require that we provide you with the following information related to our audit.

The Auditor's Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated May 14, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements represented by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated May 14, 2009.

COUNTY OF ALPINE

Management Report
Required Communication
For the Year Ended June 30, 2009

Significant Audit Findings

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements were:

- Allowance for uncollectible accounts: Management's estimate is based on past experience and subsequent collections. We inquired with management on the need for allowances.
- Claims liability: Management's estimate is derived from actuarial valuations obtained from experts. We confirmed the balance of the claims liability reported in the financial statements with third parties responsible for actuarial reports.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The following summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

1. An adjustment to reduce property tax revenue by $62,000 for undistributed prior year

property tax revenue that would have been recognized on a full-accrual basis.

2. To decrease intergovernmental revenues by $13,970 for revenues that were unavailable and incorrectly recorded as available in the fund statements. Amount was paid by State of California on a registered warrant and funds were not available until after the County's sixty day availability period.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 12, 2010.

Consultations with Other Independent Auditors

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

COUNTY OF ALPINE

Status of Prior Year Recommendations
As of June 30, 2009

Recommendations	Status
<u>Year-End Closing Procedures - Accounts Receivable</u>	
We recommend the County request County departments to provide the Auditor-Controller's Office with an estimate of outstanding receivables at the end of each fiscal year, along with appropriate documentation to support the existence of the receivables. Consideration should be giving to having departments submit receivable (and payable) information using a standardized form. Departments should be trained so that they well understand the accounting terms used and the nature of the information being requested. Due dates should be established, communicated and monitored.	Implemented
<u>Transfers</u>	
We recommend the Auditor-Controller prepare a schedule of transfers by listing the amounts, the receiving fund and the paying fund. During the closing process, this schedule should be agreed to amounts recorded to accounts 38104 and 59500.	Implemented
<u>Supervisor Approval of Timestudies</u>	
We recommend that employee supervisors or, if necessary, the Director of the Department certifies each time study. Alternatively, the Department might attempt to obtain a written waiver of this requirement from the state.	Implemented
<u>Recognition of Building Fees</u>	
We recommend that the Building Department adopt a policy discussing the various types of revenue received and identifying the triggering events that result in revenue for the County being earned. Transfers from the Building Department trust funds would then be made at the times prescribed by policy when revenues are earned.	Implemented